

## Message Text

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PAGE 01 MADRID 01505 061715Z

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SUBJECT: FINANCE MINISTER OUTLINES ECONOMIC POLICY TO CORTES

REF: MADRID 1494

1. APPEARING BEFORE THE FINANCE AND BUDGET COMMITTEES OF THE CORTES, FINANCE MINISTER ANTONIO BARRERA DE IRIMO MADE AN EXTENSIVE STATEMENT OF GOS ECONOMIC POLICY ON MARCH 5. UNDERLYING MUCH OF WHAT THE MINISTER HAD TO SAY WAS THE SITUATION CREATED BY THE INCREASE IN CRUDE PETROLEUM PRICES AND HOW BEST TO DEAL WITH IT. DESPITE THE OIL PRICES, THE MINISTER SAID, THE TWO PRINCIPAL OBJECTIVES WERE TO OBTAIN A GREATER DEGREE OF STABILITY AND TO CONTINUE THE PROCESS OF ECONOMIC DEVELOPMENT. THIS REQUIRES THE MAINTENANCE OF ADEQUATE SUPPLIES OF RAW MATERIALS IN ORDER TO GUARANTEE CONTINUITY IN THE LEVEL OF EMPLOYMENT, HE SAID.

2. SUMMARIZING THE DEVELOPMENTS IN THE SPANISH ECONOMY  
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PAGE 02 MADRID 01505 061715Z

OVER THE FIRST TWO MONTHS OF 1974, THE MINISTER EMPHASIZED

THAT ECONOMIC GROWTH HAD BEEN MAINTAINED AT A HIGH LEVEL, THAT VIRTUALLY FULL EMPLOYMENT CONTINUED, THAT INFLATIONARY PRESSURES HAD BEEN SOMEWHAT MODERATED AND THAT THE BALANCE OF PAYMENTS CONTINUED TO BE "SOLID."

3. CRUDE PETROLEUM IMPORTS ARE NOW COSTING BETWEEN \$10 AND \$11 PER BARREL, THE MINISTER SAID. THIS WOULD MEAN PROJECTED COSTS OF ABOUT \$3 BILLION FOR 1974, WHICH, IN TURN, REPRESENTS A \$2.1 BILLION INCREASE OVER LAST YEAR. THE ADDITIONAL COST WOULD NORMALLY SIGNIFY A 3 PERCENT DROP IN THE GNP, ACCORDING TO THE MINISTER. SINCE 1974 HAD BEEN PROJECTED TO HAVE A 6.5 PERCENT GROWTH BEFORE THE PETROLEUM PRICE INCREASE, THIS WOULD MEAN A LOWERING OF GNP GROWTH IN 1974 TO 3.5 PERCENT. SUCH A LOW RATE OF GROWTH IS NOT ACCEPTABLE, SAID THE MINISTER, AND THEREFORE THE GOS PLANS TO STIMULATE THE ECONOMY AND COMPENSATE FOR THE NEGATIVE EFFECT OF THE HIGH PETROLEUM PRICES. THROUGH VARIOUS SUCH MEASURES IT IS HOPED TO BE ABLE TO RAISE 1974 GNP GROWTH TO BETWEEN 5 AND 5.5 PERCENT. ONE OF THE MEASURES THAT WAS SPECIFIED THAT WILL BE UNDERTAKEN IS AN INVESTMENT TAX CREDIT OF THE TYPE UNDERTAKEN IN 1971 WITH MUCH SUCCESS. CREDIT TO THE EXPORT SECTOR WAS ANOTHER MEASURE CITED. THE CURRENT 22 PERCENT INCREASE IN RATE OF GROWTH OF BANK CREDIT WILL PROBABLY BE INCREASED TO 25 PERCENT AS AN EXPANSIONARY DEVICE.

4. IT WAS MADE CLEAR THAT THE EXPANSIONARY POLICIES OF THE GOVERNMENT WILL REQUIRE THE RUNNING OF A SUBSTANTIAL BUDGETARY DEFICIT IN 1974. A RELATIVELY LOW FOREIGN DEBT BURDEN WAS MENTIONED BY THE MINISTER AS PROVIDING THE POSSIBILITY TO EXPAND FOREIGN BORROWINGS. INI (THE GOVERNMENT HOLDING COMPANY), RENFE (THE GOVERNMENT RAILROAD) AND THE TELEPHONE COMPANY WILL BE BORROWING ABOUT \$1 BILLION AS PART OF THIS PROGRAM.

5. AN AIRGRAM WILL FOLLOW REPORTING IN DETAIL THE CONTENTS OF THE MINISTER'S PRESENTATION.  
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## Message Attributes

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